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January 18, 2006

Via Overnight Courier

Mr. Jonathan Katz

Secretary

Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549

Dear Mr. Katz:

The California Public Employees' Retirement System (CalPERS) is the largest U.S. Public Fund with over \$200 billion in total assets. CalPERS is a leader in corporate governance, which we believe is a meaningful part of the foundation that supports market confidence, investor trust and corporate performance. Shareowner rights are an important component of corporate governance and investor trust. Respect for these rights must be fought for with vigilance when they are either intentionally or unintentionally compromised.

As a shareowner of 1,387,090 shares (.38% of total shares outstanding) in Sovereign Bancorp (NYSE: SOV), we are expressing our disappointment with its Board of Directors and their actions, which show a clear lack of regard for the rights of shareowners. In November, 2005 CalPERS wrote to the New York Stock Exchange requesting that they ensure that shareowner rights were protected in the proposed transaction between Sovereign Bancorp and Banco Santander Central Hispano. CalPERS is a shareowner of 13,820,452 shares (.22% of total shares outstanding) of Banco Santander (NYSE: STD). We do not agree with the conclusion reached by the New York Stock Exchange to permit this transaction to proceed without shareowner vote as Banco Santander is buying a greater than 20% stake (including treasury shares) in Sovereign.

CalPERS strongly supports the petition filed by Relational Investors requesting the Securities and Exchange Commission make a determination that the New York Stock Exchange invalidly authorized Sovereign Bancorp to proceed with its transaction with Banco Santander Central Hispano without shareowner vote. We believe the right to vote is a fundamental shareowner right and a pillar of good

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corporate governance principles. Therefore, we urge the Securities and Exchange Commission to take prompt action on this matter.

Please contact me at (916) 795-3818, or Christianna Wood, Senior Investment Officer – Global Equity at (916) 795-0209 if CalPERS can be of further assistance.

Sincerely,

Anne Stausboll
Interim Chief Investment Officer

Cc: Members, Investment Committee
Executive Staff